



WEEKLY REPORT

ARIZONA STATE RETIREMENT SYSTEM

Paul Matson, Director
3300 North Central Avenue, Phoenix, Arizona 85012
www.asrs.state.az.us

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For the week ending Friday, February 18, 2005

Welcome to the ASRS Weekly Report. This report provides a briefing of news and notices important to member employers and your employees. Please direct comments or email address updates to WeeklyReport@asrs.state.az.us or phone (602) 308-5107.

***** Please distribute or make this report available to your employees. *****

Legislative News

The deadline for introducing new legislation has passed (Jan. 31 for the Senate; Feb. 7 for the House). The ASRS has three bills in process.

Detailed information regarding the status of the bills as well as other bills that may affect the ASRS or retirement issues is provided on the attached Quick Reference.

Rules Hearings

None scheduled at this time. Please visit the ASRS website, and click on Legislation and Rules for updated information.

ASRS News

ASRS Fund earns 11.5 percent in 2004

The ASRS Fund, which now stands at just over \$22 billion, earned a total rate of return of 11.5 percent for calendar year 2004. On Friday, the Board of Trustees received a report on the Fund performance for the year, as well as a review and preview of the economy. The ASRS Fund outperformed the benchmark for the year, Chief Investment Officer Gary Dokes informed the Board.

Also at Friday's Board meeting, ASRS Director Paul Matson publicly thanked Board Trustees Jim Bruner and Charlotte Borchert for their dedicated service to the ASRS. Both have been long-time Trustees, Mr. Bruner for nine years and Ms. Borchert for 3 years. Their replacements on the Board are pending Senate confirmation.

Employer staff training workshops

The ASRS Employer Relations Division is again hosting a series of workshops to assist employers with new staff members who have duties and responsibilities related to the ASRS and retirement. ER 101 is designed especially for those who haven't worked with the ASRS in the recent past. Come learn the basics!

Subject matter will include determining membership, the ASRS Long Term Disability plan, reporting contributions, the ASRS Return to Work Program, the Health Insurance Premium Benefit Program, completing necessary ASRS forms and more. Workshops will be from 8:30 a.m. to 12:30 p.m. at the ASRS Phoenix office, 3300 N. Central Ave., 10th floor Board Room. **Dates are: March 3, April 7, Sept. 22, Oct. 6, Nov. 3 and Dec. 1.**

Space is limited, so register today by sending an email with your name, title, employer and telephone number to: WeeklyReport@asrs.state.az.us For more information, call (602) 308-5107.

Keep us informed of changes

It's important for members to check and verify information such as your beneficiaries, your address and other personal information found on your member statement, which were recently mailed to all members. As always, you should report any changes to the ASRS as soon as possible. This may include changes due to events such as marriage, divorce, new address or new beneficiary designations.

To report changes, please send an email with the change to: contactus@asrs.state.az.us, or contact our Member Services Division at (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson and 1 (800) 621-3778 outside Phoenix and Tucson.

Contribution rates set for next fiscal year

As required by state statute, the Arizona State Retirement System adjusts contribution rates every two years to ensure the pension plan, retiree health insurance supplement plan and long-term disability plan remain fiscally sound.

Due to a variety of factors, including past benefit increases, low mid-term investment returns and changing demographics of the ASRS membership, the ASRS will be increasing contribution rates for the period from July 1, 2005 through June 30, 2007. These new rates will take effect July 1, 2005.

- **Retirement Defined Benefit Pension Plan:** Increase from the current 5.2 percent of employee and employer contributions to a rate of 7.75 percent.
- **Long Term Disability Plan:** No increase from the current 0.50 percent of employee and employer contributions.
- **Combined Contribution Rate:** Increase from the current 5.70 percent to 8.25 percent.

Board & Committee Meetings

- **ASRS Board of Trustees** – Friday, March 18, 8:30 a.m., ASRS Phoenix office, 3300 N. Central Ave., 10th floor Board Room.
- **Operations Committee** – Thursday, February 24, 10:30 a.m., ASRS Phoenix office, 3300 N. Central Ave., 14th floor conference room.
- **External Affairs Committee** – Friday, March 4, 10 a.m., ASRS Phoenix office, 3300 N. Central Ave., 14th floor conference room.
- **Investment Committee** – Tuesday, April 5, 5:30 p.m., ASRS Phoenix office, 3300 N. Central Ave., 14th floor conference room.

Note: All Board & Committee meetings are open to the public and your attendance is encouraged. Schedules, agendas and minutes of our meetings are posted on our website and are available at our Phoenix and Tucson office.

Quick Reference
ASRS Related Retirement Legislation
(For Week Ending Friday, **Feb. 18, 2005**)

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
HB 2028 - Treasurer's Risk Reports; technical correction Sponsor: Rep. Boone As Introduced: Minor changes to ARS 35-319 relating to reports on the impact of security risks on state investments.	Assigned: 1/10/05 Hse Rules Status: 1/11/05 second read	As Introduced: None expected.	As Introduced: None expected.
HB 2080 - Community Colleges, Retirement, technical correction Sponsor: Rep. Knaperek As Introduced: Minor change to ARS 15-1451 relating to optional retirement plans for employees of community colleges.	Assigned: 1/10/05 Hse Rules Status: 1/11/05 second read	As Introduced: None expected.	As introduced: None expected.
HB 2044 - Tech Correction; Treasurer's Risk Reports Sponsors: Rep. Pearce As Introduced: Minor changes to ARS 35-319 relating to reports on the impact of security risks on state investments.	Assigned: 1/10/05 Hse Rules Status: 1/11/05 second read 2/16 referred to Jud	As Introduced: None expected.	As Introduced: None expected.
HB 2149 - Social Security Numbers; Government Request Sponsor: Rep. C. Gray As Introduced: The state and all political subdivisions are prohibited from asking for a person's Social Security number on any form or application unless required by federal law.	Assigned: GRGFA 1/27/05 Rules Status: 1/27/05 first read 1/31/05 second read 2/9/05 DP 8-0-0-1-0 2/15/05 DP8-0-0-1-0 2/15/05 Majority Caucus 2/15/05 Minority Caucus 2/15/05 Consent Calendar 2/16/05 Rules ok	As Introduced: None expected.	As Introduced: None expected.

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
HB 2411 - EORP; Membership Sponsor: Rep. Pearce As Introduced: Repealing Sections 38-815 And 38-821, Arizona Revised Statutes; Relating to the Elected Officials' Retirement Plan. State and county elected officials, judges and full-time court commissioners who are elected or appointed after 2005 must join the Arizona State Retirement System (eliminating them from participation in the Elected Officials Retirement Plan). Upon re-election or retention, a current member of EORP may choose to transfer to ASRS. Starting in 2006 the EORP fund manager may require employers, including cities and towns, to contribute additional amounts needed to properly fund the plan. Authority for city and town elected officials to join EORP is repealed.	Assigned: Hse Rules. PIR, Approp B Status: 1/18/05 first read 1/19/05 second read 2/7/05 PIR failed 0-8-0-1	As Introduced: None expected.	As Introduced: None expected.
HB 2472 - ASRS; Payroll Deduction Agreements First sponsor: Rep. McClure. Others: Rep. Downing, Sen. Martin. As Introduced: Mandates that an ASRS member's payroll deduction agreement must continue when the member transfers employment between participating ASRS employers.	Assigned: PIR, Rules Status: 1/31/05 first read 2/1/05 second read 2/7/05 DP 7-0-0-2-0 2/15/05 DP8-0-0-1-0 2/15/05 Majority Caucus 2/15/05 Minority Caucus 2/15/05 Consent Calendar 2/16 Rules ok	As Introduced: None expected.	As Introduced: None expected.
HB 2473 - ASRS Retirees; Eligibility For AHCCCS First sponsor: Rep. McClure. Others: Rep. Lopes, Sen. Arzberger. As Introduced: Provides the ASRS with the opportunity to explore the AHCCCS business model and provider network by including "retirees" as an "eligible person" in the AHCCCS definition statutes.	Assigned: PIR, Health and Rules Status: 1/18/05 first read 1/19/05 second read 1/31/05 held in PIR 2/7/05 DP 7-1-01-0	As Introduced: None expected.	As Introduced: None expected.
HB 2474 - ASRS; Credited Service Purchase Sponsor: Rep. McClure. As Introduced: Makes a technical correction. Changes the age to 59 1/2 from 50 1/2 for the purchase of credited service. NOW: Striker- Purchase of Military Service	Assigned: PIR, Rules Status: 1/18/05 first read 1/19/05 second read 1/31/05 held in PIR	As Introduced: None expected.	As Introduced: None expected.

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
HB 2552 - ASRS; Retirees; Graded Multiplier Increase Sponsor: Rep. McClure As Introduced: Members of the Arizona State Retirement System and their beneficiaries who were receiving benefits on Aug 8, 2001, will receive a one-time permanent benefit multiplier graded to reflect years of service. Those who had at least 30 years of service will receive a 9.52% benefit increase; those with shorter terms of service will receive smaller increases.	Assigned: PIR, Rules Approp B Status: 1/31/05 first read 2/1/05 second read	As Introduced: Not known yet.	As Introduced: Not known yet
HB 2562 - Retirement; ASRS; Investments Sponsor: Rep. C Gray As Introduced: The Arizona State Retirement System shall not invest in companies which have business activities in countries identified by the federal government as supporting international terrorism. The annual report to the governor and Legislature by the ASRS must include a list of investments owned.	Assigned: 2/7/05 PIR, Rules Status: 2/7/05 first read 2/8/05 second read	As Introduced: Not known yet.	As Introduced: Not known yet
HB 2621 - Retiree Health Insurance; Rural Subsidy Sponsors: Rep. Konopnicki, Aguirre Brown As Introduced: The provision that is set to expire on June 30, 2005, whereby retirees who live in certain rural areas (defined as "nonservice area") and who are members of the state's four retirement plans receive a subsidy for health insurance premiums is extended 2 years to June 30, 2007.	Assigned: PIR, GRGFA, Approp B, Rules Status: 2/9/05 first read 2/10/05 second read 2/16/05 withdrawn PIR 2/16/05 DPA 6-0-0-3-0 2/17/05 GRFGA amended 3353	As Introduced: Not known yet.	As Introduced: Not known yet
HB 2641 - Appropriation; Teachers; Retirement Contribution Sponsor: Aguirre, Barnes, Boone, Burns, Burton-Cahill, Chase As Introduced: An appropriation of \$80 million in fiscal 05-06 for raises to teachers to hold them harmless for the increased employee contribution rate for the Arizona State Retirement System.	Assigned: ED, Approps B, Approps P & Rules Status: 2/14/04 first read 2/15/05 second read Scheduled for Weds Feb. 23 in K-12 Ed	As Introduced: Not known yet.	As Introduced: Not known yet

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
HB 2671 - Retirement; State Retiree Health Insurance Sponsor: Rep Burns, Alvarez, Konopnicki As Introduced: Existing Law On Group Health And Accident Coverage For Retired Public Employees And Officials Is Replaced By A New Requirement For Such Coverage For Retirees Who Elect Not To Obtain Insurance Through Their Former Employer, Including Those Receiving Benefits From ASRS And EORP.	Assigned: PIR, Health, Approp P , Rules Status: 2/9/05 first read 2/10/05 second read	As Introduced: Not known yet.	As Introduced: Not known yet
HB 2718 - Education; Omnibus Sponsor: Boone, Allen, Alvarez, Barnes, Mason, Sinema As Introduced: 37 pages of changes to education statutes. Among the changes: The failing schools tutoring fund is authorized for use both at schools designated as failing and at school not designated as failing as long as funds are used for the benefit of students who have failed to meet standards. Additional restrictions on monies received by joint technological education districts. Furniture and equipment for new schools may be paid from class B bond proceeds	Assigned: ED, Approps B & Rules Status: 2/14/05 first read 2/15/05 second read	As Introduced: Not known yet.	As Introduced: Not known yet

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
<p>SB 1014 - Tech Correction; Dept Of Commerce NOW: Striker - ASRS Graded Multiplier Spons or: Sen. Jarrett As Introduced: Minor change in ARS 41-1514.01 governing a development program within the Dept of Commerce.</p> <p>A member or a member's beneficiary who was receiving a benefit under the Arizona state retirement system defined benefit program established by title 38, chapter 5, article 2, Arizona Revised Statutes, on May 8, 2001 is entitled to receive a one-time permanent benefit increase as follows:</p> <ol style="list-style-type: none"> 1. 2.38 per cent of the member's or beneficiaries monthly benefit amount if the member had at least 20.00 years of credited service but not more than 24.99 years of credited service. 2. 4.76 per cent of the member's or beneficiaries monthly benefit amount if the member had at least 25.00 years of credited service but not more than 29.99 years of credited service. 3. 9.52 per cent of the member's or beneficiaries monthly benefit amount if the member had at least 30.00 years of credited service. <p>Sec. 2. <u>Retroactivity</u> This act is effective retroactively to from and after May 8, 2001."</p>	<p>Assigned: Fin, Rules Status: 1/10/05 first read 2/1/05 second read 2/17/05 Sen Fin held\ scheduled for Monday, Feb. 17</p>	<p>As Introduced: Not known yet.</p>	<p>As Introduced: Not known yet.</p>
<p>SB 1206 - Schools; Retirement Programs Sponsor: Sen. L. Gray As Introduced: The eligibility of school district employees to participate in tax sheltered annuity plans under IRS code section 403(b) is expanded to cover retirement and deferred compensation plans contained in sections 401(a) and 457(b). Districts may pay into a deferred comp plan on behalf of an employee for purposes such as an incentive for recruitment or retention; to buy out unused leave time at severance of employment; and to provide incentives for early retirement to selected personnel as determined by the governing board.</p>	<p>Assigned: Fin, K12ED, Rules Status: 1/24/05 first read 1/25/05 second read</p>	<p>As Introduced: Not known yet.</p>	<p>As Introduced: Not known yet.</p>

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
<p>1278 – Schools Best Practices Sponsor: Huppenthal NOW: Striker - Education Omnibus Employer contributions for the biennial period shall be a percentage of compensation of all employees of the employers, excluding the compensation of those employees who are members of the defined contribution program administered by ASRS, as determined by the ASRS actuary pursuant to this section for June 30 of the even-numbered year immediately preceding the biennial period, except that beginning with fiscal year 2001-2002 the contribution rate shall not be less than two four per cent of compensation of all employees of the employers. Notwithstanding this section, for fiscal year 2005-2006, the employer contribution rate is 6.25 per cent of compensation of all employees of the employers, excluding the compensation of those employees who are members of the defined contribution program administered by ASRS. Thereafter, the employer contribution rate is as prescribed by this section. The total employer contribution shall be determined on the projected unit credit method. Except as provided in subsection D of this section, the total employer contributions shall be equal to the employer normal cost plus the amount required to amortize the past service funding requirement over a rolling thirty-year period. The employer contribution rate shall not be increased or decreased by more than ten per cent in any fiscal year.</p>	<p>Assigned: 2/16/05 K12 2/17/05 Fin amended Status: 2/16/05 DPA/ SE 7-1-0-0</p>	<p>As Introduced: Not known yet.</p>	<p>As Introduced: Not known yet.</p>
<p>SB 1359 - Retirees, Health Insurance Program Sponsor: : Sen. Burns, Konopnicki As Introduced: The Dept of Administration is authorized to establish group health and accident insurance for retired and disabled persons from all of the state's four retirement plans. Premiums may be deducted from their retirement benefits. The program is to be implemented on Jan 1, 2007.</p>	<p>Assigned: 2/1/05 Fin 1/31/05 Rules Status: 1/31/05 first read 2/1/05 second read</p>	<p>As Introduced: Not known yet.</p>	<p>As Introduced: Not known yet.</p>
<p>SB 1360 - Retiree Health Insurance Committee Sponsor: : Sen. Huppenthal As Introduced: A Retiree Health Insurance Committee is formed to evaluate the options for retiree health insurance coverage proposed by the private entity retained by Legislative Council pursuant to Laws 2004, Chapter 325, Sec 8 (H2542). A report is due by the end of this year.</p>	<p>Assigned: 2/1/05 Fin 1/31/05 Rules Status: 1/31/05 first read 2/1/05 second read 2/17/05 Fin held scheduled for Monday, Feb. 17 in Fin</p>	<p>As Introduced: Not known yet.</p>	<p>As Introduced: Not known yet.</p>

BILLS	BILL STATUS	ADMINISTRATIVE COST	ACTUARIAL IMPACT
SB 1366 – Retirement; Minimum Employer Contribution Sponsor : Sen. Martin As Introduced: The minimum amount that employers of members of three state retirement plans (EORP, PSPRS and CORP) must contribute towards their employees' retirement is changed to a percentage left blank in the original bill. Currently, EORP and PSPRS employers contribute an amount equal to 2% of the person's salary; CORP employers contribute 4%.	Assigned: 2/1/05 Fin, Rules Status: 1/31/05 first read 2/1/05 second read 2/17/05 Sen Fin Amended scheduled for Monday, Feb. 17 in Fin	As Introduced: Not known yet.	As Introduced: Not known yet.
SB 1373 – Investment Advisors; investment advisor representatives Sponsor: Rep Jarrett As Introduced: The Corporation Commission may not adopt or enforce rules relating to licensed investment advisors and investment advisor representatives that exceed the scope and limits of rules adopted by the federal Securities and Exchange Commission.	Assigned: 2/1/05 CED 2/1/05 Rules Status: 1/31/05 first read 2/1/05 second read	As Introduced: Not known yet.	As Introduced: Not known yet.
SB 1426 - Retirement; ASRS Spousal Consent Sponsor: Sen. Huppenthal As Introduced: A member of the Arizona State Retirement System must obtain his or her spouse's approval before naming a beneficiary other than the spouse. Unmarried retiree receives monthly annuity; married retiree receives joint and survivor annuity.	Assigned: 2/1/05 Fin, Approp, Rules Status: 2/1/05 first read 2/2/05 second read 2/17/05 Sen Fin amended scheduled for Monday, Feb. 17 in Fin Scheduled for Tuesday in Approps B	As Introduced: \$125,558 with 1.5 FTEs.	As Introduced: Not known yet.
SB 1428 - Retirement; ASRS Optional Benefits Retirement; ASRS Spousal Consent Sponsor: Sen. Huppenthal As Introduced: Changes in option forms of retirement benefits under the Arizona State Retirement System include deleting provision to name new contingent annuitant when reverting to straight life annuity. Appropriation of \$20,000.	Assigned: 2/1/05 Fin, Approps, Rules Status: 2/1/05 first read 2/2/05 second read	As Introduced: Not known yet.	As Introduced: Not known yet.

LEGEND

AMEND C&P Constitutional and Proper as Amended by the House Rules Committee
APPROP Appropriations Committee
ASRS Arizona State Retirement System
C&P Constitutional and Proper

CORP
COW
DP
DPA
EORP

Corrections Officer Retirement Plan
Committee of the Whole
Do Pass
Do Pass as Amended
Elected Officials' Retirement Plan

FII	Financial Institutions and Insurance Committee	PFCA	Proper for Consideration as Amended by the Senate Rules Committee
FIN	Finance Committee	PIRC	Public Institutions and Retirement Committee
GF	General Fund		
GAR	Government Accountability and Reform Committee	PSPRS	Public Safety Personnel Retirement System
GOV	Government Committee		
HB	House Bill	SB	Senate Bill
HCR	House Concurrent Resolution	S/E	Strike Everything Amendment
HHR	House Hearing Room		
Hse.	House of Representatives		
JUD	Judiciary Committee	Sen.	Senate
LTD	Long Term Disability	SHR	Senate Hearing Room
PFC	Proper for Consideration	WM	Ways and Means Committee

**The weekly legislative report is available on-line at the ASRS website:
www.asrs.state.az.us**

If you have questions relating to legislation, please contact ASRS Government Relations Officer
Denisse Gee at (602) 240-2027 or via email at WeeklyReport@asrs.state.az.us

The External Affairs Committee (EAC) meets the first Friday of each month at 10:00 AM in the 14th floor conference room.